



# CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** AUDIT REPORT - GAS TAX FUND

**MEETING DATE:** July 7, 1993

**PREPARED BY:** Finance Director

**RECOMMENDED ACTION:** That the City Council receive and accept for filing the annual audit of the Special Gas Tax Street Improvement Fund for the fiscal year ended June 30, 1992 prepared by the State Controller's Office.

**BACKGROUND INFORMATION:** The State Controller's Office annually conducts a compliance audit of the Special Gas Tax Street Improvement Fund. This audit was completed on May 10, 1993 and a copy of their report and findings is attached.

There were no material or significant findings and all adjustments were made as requested by the auditors. Accordingly, this report is submitted as information for the public record, only.

### FUNDING

No cost to the City.

  
H. D. Flynn  
Finance Director

gasaudit.wpf

APPROVED: 

THOMAS A. PETERSON  
City Manager



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GRAY DAVIS  
Controller of the State of California

RECEIVED  
JUN 22 1993  
Finance Dept.

June 21, 1993

Mr. Harold Dixon Flynn  
Finance Director  
City of Lodi  
Post Office Box 3006  
Lodi, California 95241

Dear Mr. Flynn:

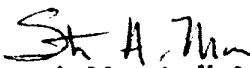
Enclosed is the report of our compliance audit of the Special Gas Tax Street Improvement Fund for the fiscal year ended June 30, 1992.

We wish to thank you for your courtesy and the cooperation extended to our auditor.

Cordially,

GRAY DAVIS, STATE CONTROLLER

by

  
Steven A. Mar, Audit Manager  
Bureau of Streets and Roads  
(916) 445-5153

SAM/tu  
Enclosure

**CITY OF LODI**  
**AUDIT REPORT OF THE**  
**SPECIAL GAS TAX STREET IMPROVEMENT FUND**  
**For The Fiscal Year Ended June 30, 1992**

**GRAY DAVIS**  
**STATE CONTROLLER**  
**DIVISION OF LOCAL GOVERNMENT FISCAL AFFAIRS**  
**BUREAU OF STREETS AND ROADS**

**Program Manager.....Steven A. Mar**

**Audit Supervisor.....William Wong**

**(916) 323-2357**

**Auditor.....Robert Brasfield**

**CITY OF LODI**  
**AUDIT REPORT OF THE**  
**SPECIAL GAS TAX STREET IMPROVEMENT FUND**  
**For The Fiscal Year Ended June 30, 1992**

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GRAY DAVIS

Controller of the State of California

May 10, 1993

To the City Council  
City of Lodi, California

We have audited the financial transactions of the Special Gas Tax Street Improvement Fund of the City of Lodi for the fiscal year ended June 30, 1992.

The purpose of our audit was to determine if Highway Users Tax Apportionments received by the City were completely accounted for in a special revenue fund, were expended exclusively for authorized purposes, or safeguarded for future expenditure, and to determine if recoveries of prior gas tax expenditures were identified and properly credited to the special fund. Our audit objectives were derived from the requirements of the Streets and Highways Code.

Our audit was performed in accordance with Government Auditing Standards, as issued by the Comptroller General of the United States. Accordingly, we considered the City's internal control structure to the extent necessary to plan our audit. In addition, we tested selected transactions and balances of the Gas Tax Fund and performed other procedures we considered necessary in the circumstances.

The accompanying *Analysis of Changes in Fund Balances* represent the expenditures and resulting unexpended fund balances allowed by the Streets and Highways Code and are not intended to be presented in accordance with generally accepted accounting principles.

Our audit disclosed exception to the Streets and Highways Code, which required adjustment of the City's accounting records. The amount and nature of the adjustment is described in the accompanying *Reconciliation of Fund Balances*.

Except for the previously referred to adjustment, we have determined that the City of Lodi accounted for, expended, and safeguarded its Highway Users Tax funds in accordance with the requirements of the Streets and Highways Code for the fiscal year ended June 30, 1992.

City Council of the City of Lodi

May 10, 1993

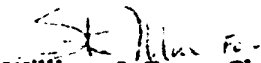
The results of our related consideration of the City's internal control structure are disclosed in the accompanying *Auditor's Report on the Internal Control Structure*.

This report, and the accompanying financial presentations, relate only to evaluating the City's compliance with the Streets and Highways Code and does not extend to any of the financial statements of the City of Lodi. The report is intended for the use of management, the City Council and the State Controller's Office, and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report, which upon acceptance by the City Council is a matter of public record.

Cordially,

GRAY DAVIS, STATE CONTROLLER

by

  
William J. Fong, Chief  
Bureau of Streets and Roads  
(916) 445-5153

WJF/tu

CITY OF LODI  
SPECIAL GAS TAX STREET IMPROVEMENT FUND  
ANALYSIS OF CHANGES IN FUND BALANCES  
BY APPORTIONMENT SOURCE

For The Fiscal Year Ended June 30, 1992

	<u>Streets and Highways Code Sections</u>				
	<u>2105</u>	<u>2106</u>	<u>2107</u>	<u>2107.5</u>	<u>Total</u>
Beginning Balance	\$ 74,615	\$ 341,655	\$ -0-	\$ -0-	\$ 416,270
Revenues:					
Apportionments	227,253	214,091	441,367	7,500	890,211
Interest	<u>14,656</u>	<u>24,775</u>	<u>(572)</u>	<u>-0-</u>	<u>38,859</u>
Total Revenues	<u>241,909</u>	<u>238,866</u>	<u>440,795</u>	<u>7,500</u>	<u>929,070</u>
Funds Available	316,524	580,521	440,795	7,500	1,345,340
Expenditures:					
Undist. A and E	-0-	-0-	7,411	7,500	14,911
Construction	-0-	208,677	-0-	-0-	208,677
Maintenance	<u>-0-</u>	<u>2,396</u>	<u>433,384</u>	<u>-0-</u>	<u>435,780</u>
Total Expenditures	<u>-0-</u>	<u>211,073</u>	<u>440,795</u>	<u>7,500</u>	<u>659,368</u>
Ending Fund Balance	<u>\$ 316,524</u>	<u>\$ 369,448</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 685,972</u>

CITY OF LODI  
SPECIAL GAS TAX STREET IMPROVEMENT FUND  
RECONCILIATION OF FUND BALANCES  
BY APPORTIONMENT SOURCE

June 30, 1992

Streets and Highways Code Sections

	<u>2105</u>	<u>2106</u>	<u>2107</u>	<u>2107.5</u>	<u>Total</u>
Balance Per City Records	\$ 316,524	\$ 387,713	\$ (18,265)	\$ -0-	\$ 685,972
Audit Adjustments:					
(1) Negative Fund Balance	<u>-0-</u>	<u>(18,265)</u>	<u>18,265</u>	<u>-0-</u>	<u>-0-</u>
Balances Per Audit	<u>\$ 316,524</u>	<u>\$ 369,448</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 685,972</u>

Audit Finding (1):

This adjustment was required pursuant to Chapter 4 Section II of the State Controller's Office Gas Tax Guidelines to eliminate the negative fund balance in Fund 32.

City Response:

The City agreed with the above audit finding and has transferred \$18,265 from Section 2106 to Section 2107 per journal voucher dated May 19, 1993.





GRAY DAVIS

Controller of the State of California

May 10, 1993

To the City Council  
City of Lodi, California

We have audited the financial transactions of the Special Gas Tax Street Improvement Fund of the City of Lodi for the fiscal year ended June 30, 1992, and have issued our report thereon dated May 10, 1993.

We conducted our audit in accordance with Government Auditing Standards, as issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain a reasonable assurance about whether the City of Lodi accounted for, expended, and safeguarded its Highway Users Tax funds in accordance with the requirements of the Streets and Highways Code.

In planning and performing our audit, we considered the City's internal control structure to select effective audit procedures for the determination of whether the City complied with the Streets and Highways Code and not to provide assurance on the internal control structure.

The management of the City of Lodi is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the design and operation of policies and procedures may deteriorate.

May 10, 1993

For the purpose of this report, we have classified the significant internal control structure policies and procedures of the purchases/disbursements cycle. Our study included the preceding category, and we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed the effect of control risk on the design of our audit procedures.

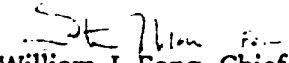
Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial transactions of the Special Gas Tax Street Improvement Fund being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the City Council. This restriction is not intended to limit the distribution of the report, which upon acceptance by the City Council is a matter of public record.

Cordially,

GRAY DAVIS, STATE CONTROLLER

by

  
William J Fong, Chief  
Bureau of Streets and Roads  
(916) 445-5153

WJF/tu